

5/92

Instructions for Part II of Management Improvement Operating (MIO) Plan

Part II of the MIO Plan has been designed to (1) formalize HUD and the Owner's agreement as to what actions will be undertaken to restore or maintain the financial and physical soundness of the project, (2) facilitate Owner's Request for Advance of Funds, and (3) monitor Housing Owner's progress in implementing the required improvements. Part II of the MIO consists of three sections:

- Section A Action Items, form HUD-9835
- Section B Management Objectives, form HUD-9835-A
- Section C Sources and Uses of Funds, form HUD-9835-B

The Plan should provide actions to eliminate any operational or physical deficiencies noted on HUD's comprehensive management reviews, occupancy reviews, physical inspections or HUD's review of monthly or annual accounting reports.

The Housing Owner should submit an original and one copy to HUD and retain a copy. A sample MIO Plan is shown in Appendix 8 of the Flexible Subsidy Handbook, 4355.1.

Headings. Enter dates of HUD reviews/reports on which the need for these work items was discussed. Number pages sequentially through Sections A, B and C. Original date is the date HUD approves the Owner's submission; revision dates are dates HUD approves a revision to Part II of the MIO Plan. If an action item is related to a deficiency noted on a HUD review, indicate the type of review and finding or item number. Use the following codes:

M= Management Review	P= Physical Inspection	O=Occupancy Review	F= Financial Review
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Operating Assistance Program

Section A. Action Items (form 9835)

1. Under description of action item include: 1) all work items which will be undertaken to correct physical deficiencies; 2) all cash payments which will be made to reduce mortgage delinquencies or accounts payable or to fund replacement reserve or monthly operating deficits; and 3) any actions needed to implement the energy efficiency plan required under flexible subsidy.
 - a. Group tasks according to sub-categories listed in Section C. Tasks must be highly visible items which can be easily monitored. Include only work which can be completed during the next 12 months.
 - b. Action item numbers should begin with the HUD fiscal year in which the task is funded and should then be numbered sequentially, continuing through all work categories. Example: 92-1, 92-2, 92-3, etc. Circle Action Number of tasks which are eligible for Flexible Subsidy Funding.
2. For repair items that will be paid out of the Project Improvement Account, estimate the total amount to be expended on each action item over the next 12 months. Estimates should reflect economies to be generated by bulk purchasing, cost comparisons, bids, etc. Formal bids must be obtained for any action item which HUD or the Owner estimates will exceed \$5,000.
3. Considering priority of needs, weather conditions and the time required for each task, estimate the date by which each action item will be completed and allocate total funds among the four quarters. Top priority should be given to interior repairs which are necessary to make the units decent, safe and sanitary. For any action item, the sum of the quarterly entries must equal the total MIO funds allocated for that item. The financial Assistance Contract provides that replacement reserve and working capital funds may only be released in the fourth quarter.
4. Attach Schedule of Accounts Payable to be paid out of the Project Improvement Account. Group and subtotal by quarter.
5. Transfer Activity Section should be left blank when preparing this for initial submission to HUD. This section will be used to request transfers of funds from the Project Improvement Account.
6. When action item has been completed, enter date completed and total amount transferred from the Project Improvement Account for that action item.

Capital Improvement Loan Program

Section A. Action Items (form HUD-9835)

Where the Department determines that it is not necessary to prepare a MIO Plan because (1) the project owner is not in default under the mortgage, (2) the project owner is not in violation of the Regulatory Agreement, (3) the project owner has not received an unsatisfactory or marginally satisfactory management review in the past 24 months, or has corrected the problem in a manner satisfactory to HUD, and (4) HUD Headquarters has not determined that a MIO Plan must be submitted, HUD-9835 will only be completed to reflect the items to be replaced and the target dates for completion.

The Department estimates that only five percent of the applicants in the Capital Improvement Loan Program will be required to complete a full MIO Plan. In such instance, HUD-9835 shall be completed in its entirety following the instructions above.

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Instructions for Part II of Management Improvement Operating (MIO) Plan

Public Reporting Burden for this collection of information is estimated to be 4 hours per response, including the time for reviewing instructions, searching existing data sources, gathering and maintaining the data needed, and completing and reviewing the collection of information. Send comments regarding this burden estimate or any other aspect of this collection of information including suggestions for reducing this burden, to the Reports Management Officer, Office of Information Policies and Systems, All, U.S. Department of Housing and Urban Development, Washington, D.C. 20410-3600 and to the Office of Management and Budget, Paperwork Reduction Project (2502-0395), Washington, D.C. 20503.

Part II of the MIO Plan has been designed to (1) formalize HUD and the Owner's agreement as to what actions will be undertaken to restore or maintain the financial and physical soundness of the project, (2) facilitate Owner's Requisition for Advance of Funds; and (3) monitor Housing Owner's progress in implementing the required improvements. Part II of the MIO consists of three sections:

- Section A Action Items, form HUD-9835
- Section B Management Objectives, form HUD-9835-A
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The Plan should provide actions to eliminate any operational or physical deficiencies noted on HUD's comprehensive management reviews, occupancy reviews, physical inspections or HUD's review of monthly or annual accounting reports. The Housing Owner should submit an original and one copy to HUD and retain a copy. A sample MIO Plan is shown in Appendix 8 of the Flexible Subsidy Handbook, 4355.1.

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Operating Assistance Program

Section B: Management Objectives (form HUD-9835-A)

1. Number management objectives consecutively (1, 2, 3, 4 etc.). List: a) all management initiatives which will be implemented to improve financial and management and control systems and to correct operational deficiencies (M and F items) noted on HUD reviews or in Owner's assessment of project operations. Example: Implement new purchase order system by 9/1/79. b) List operating goals on which income and expense items on Budget worksheet and relief plan on Project Analysis

Worksheet (Parts H and I) are based. Example: Reduce vacancies.

2. Establish quantitative quarterly milestones for operating goals and target dates for completing implementation of management initiatives.
3. Before attaching this to the Quarterly Performance Report (form HUD-9824-A), enter (a) in bottom half of slashed box, the amount of any quantitative milestone reached to date; and (b) the date any objective was achieved.

Capital Improvement Loan Program

Section B: Management Objectives (form HUD-9835-A)

Where the Department determines that it is not necessary to prepare a MIO Plan, HUD-9835A will be omitted. However, where applicants are required to complete a MIO Plan, HUD-9835A will be completed in its entirety.

Management Improvement and
Operating (MIO) Plan Part II.
Project Improvement Program
Section C. Sources and Uses
of Funds

U.S. Department of Housing
and Urban Development
Office of Housing
Federal Housing Commissioner



OMB Approval No. 2502-0395 (exp. 9-30-92)

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Project Name	Project Number	Flexible Subsidy Log No.
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Original Date	Revision No.	Period Covered	Field Office			
		Thru				
Source/Use	1st Quarter	2nd Quarter	3rd Quarter	4th Quarter	Total	
1. Owner Contribution						
2. Mortgage Relief (Retroactive Only)						
3. Replacement Reserve Releases						
4. Residual Receipt Release						
5. Other Escrow Release						
6. Other Source (Specify)						
7a. Flexible Subsidy**						
7b. Capital Improvement Loan Program						
A. Total Funds Available (Add lines 1 through 7)						
1. Repairs / Replacements Total						
2. Replacement Reserve Deficit						
3. Operating Deficit—Total						
a. Mortgage Delinquency						
b. Taxes and Insurance Escrow Deficit						
c. Accounts Payable						
d. Monthly Operating Deficit						
e. Depository Service Charge						
4. Working Capital Funds						
5. Other (Specify)						
B. Total Funds Needed (Add lines 1 thru 5)						

** Total annual amount of Flexible Subsidy assistance on line 7 may not exceed the sum of the items circled on Part II, Section A (Action Items-HUD-9835) of the MIO Plan.

For each item on line A should equal line B.

Management Agent (if any)	Housing Owner
Date	Date
HUD Loan Specialist	Loan Management Branch Chief
Date	Date

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- Section A. Action Items, form HUD-9835
- Section B. Management Objectives, form HUD-9835-A
- Section C. Sources and Uses of Funds, form HUD-9835-B

The Plan should provide actions to eliminate any operational or physical deficiencies noted on HUD's comprehensive management reviews, occupancy reviews, physical inspections or HUD's review of monthly or annual accounting reports. The Housing Owner should submit an original and one copy to HUD and retain a copy. A sample MIO Plan is shown in Appendix 8 of the Flexible Subsidy Handbook, 4355.1.

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- M = Management Review
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Operating Assistance Program

Section C. Sources and Uses of Funds (form HUD-9835-B)

1. Indicate how much each source will contribute to the Project Improvement Account each quarter. Sum of quarterly entries for any line should equal total for that line. Entries should reflect verbal agreements between Housing Owner and HUD. Juggle work or deposit schedule so that funds available equal funds needed for any quarter. **The annual amount of flexible subsidy on Line 7 may not exceed the sum of the annual amount estimated in Section A for circled work items.** Working capital funds includes any monies which will be disbursed at the end of the contract term and used to increase the project's operating/checking account balance or to purchase a small amount of supplies.

Transfer sub-category quarterly totals from Section A. Obtain quarterly totals for each category by adding quarterly totals for all sub-categories (e.g., Lines 3a, 3b, 3c, 3d, 3e) within each category (e.g., line 3). **Note: Replacement reserve and working capital funds may only be released in the fourth quarter. Section D: Miscellaneous Plans Required Only for Flexible Subsidy Assistance.** For Flexible Subsidy projects, the following two additional plans must be included in the MIO Plan:

- a. A brief, narrative plan explaining how the Owner intends to upgrade the project to meet the Department's Cost Effective Energy Conservation Standards (24 CFR Part 39). Such a plan need not call for completion of the upgrading during the Flexible Subsidy assistance period and only those improvements which can be shown to be cost effective should be included in the plan. All work items required to effect these improvements must be included in Part II Section A of the MIO Plan and all funds required must be included in Part II, Section C of the MIO Plan.
- b. A brief narrative discussing the work items or management initiatives in Part II, Sections A and B of the MIO Plan which will result in a reduction of project operating costs along with an estimate of the cost savings to be obtained through these controls, procedures or actions.

Capital Improvement Loan Program

Section C. Sources and Uses of Funds (form HUD-9835-B)

Where the Department determines that the preparation of a MIO Plan is not necessary, HUD-9835B will be completed to reflect only the dollar amounts in the following items: 1. Owner Contribution, 3. Replacement Reserve Releases, 4. Residual Receipt Release, and 7. Flexible Subsidy/Capital Improvement Loan Programs, under A. Total Funds Available, 4. Working Capital Funds, and 5. Other (specify), under B. Total Funds Needed (see asterisks). Where applicants are required to complete a MIO Plan, HUD-9835-B will be completed as for Operating Assistance.